



Department of Justice

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JAPANESE SUBSIDIARY CHARGED WITH INTERNATIONAL
CONSPIRACY TO FIX PRICES FOR GRAPHITE ELECTRODES IN U.S.

COMPANY TO PAY FOURTH LARGEST FINE IN ANTITRUST HISTORY

Showa Denko Carbon, Inc. (SDC), a U.S. subsidiary of the Japanese firm Showa Financing KK, was charged today with participating in a wide-ranging international conspiracy to fix prices and allocate market shares worldwide for graphite electrodes. The company will enter a plea of guilty at an arraignment to be held soon and has agreed to pay a fine of \$29 million, the fourth largest criminal fine ever in antitrust enforcement history.

The charge stemmed from the Justice Department's ongoing criminal investigation into anticompetitive practices in the graphite electrode industry. As part of the plea agreement, SDC and its affiliated companies have agreed to cooperate in the ongoing investigation.

SDC is charged with violating the Sherman Antitrust Act by conspiring with unnamed co-conspirators to suppress and eliminate competition. According to the charges, SDC fixed prices and allocated market share for graphite electrodes in the United States and elsewhere from 1993 until January 1997.

Steel makers, whose products are integral to a variety of business and consumer items, paid non-competitive and higher prices for graphite electrodes used in their manufacturing process.

“This case is the first step by the Department of Justice in prosecuting and dismantling an international cartel that increased prices of a vital product used in American steel making.

Customers in this important industry must not be denied the benefits of free and open competition,” said Attorney General Janet Reno.

Graphite electrodes are large carbon columns used in electric arc furnaces in steel making “mini-mills” to generate the heat necessary to melt and further refine steel. Nine electrodes, joined in columns of three each, are used in the average electric arc furnace to melt scrap steel. Because of the intensity of the melting process, electrodes are continuously consumed.

Total sales of graphite electrodes in the United States are estimated at \$500 million for 1996 and over \$1.5 billion during the term of the charged conspiracy.

SDC is a South Carolina corporation. It manufactures graphite electrodes in the United States at its headquarters in Ridgeville, South Carolina. SDC sells graphite electrodes to customers throughout the United States and elsewhere.

“Today’s global economy provides the opportunity for international cartels to victimize American businesses and consumers. The Antitrust Division’s top priority in criminal enforcement is to uncover such cartels and vigorously prosecute individuals and corporations causing us harm,” said Joel I. Klein, Assistant Attorney General for Antitrust.

The criminal case charges that SDC and its co-conspirators:

- participated in meetings and conversations in the Far East, Europe, and the United States in which the prices and volume of graphite electrodes sold in the United States and elsewhere were discussed;
- agreed during those meetings to increase and maintain prices of graphite electrodes;
- agreed to eliminate discounts from the fixed price of graphite electrodes;

- agreed to allocate among the conspirator companies the approximate volume of graphite electrodes to be sold;
- agreed to divide the world market among themselves and to designate on a region-by-region basis, including the United States, the conspirator who would fix the price that the others agreed to follow;
- agreed to restrict the conspirator companies' capacity for producing graphite electrodes;
- agreed to restrict non-conspirator companies' access to certain graphite electrode manufacturing technology;
- discussed methods to conceal the agreement, including the use of code names by the corporate conspirators;
- exchanged sales and customer information to monitor and enforce the agreement; and
- issued price announcements and price quotations in accordance with the agreements reached.

During the term of the charged conspiracy, customers of graphite electrodes experienced significant price increases which far out paced the rate of inflation.

“Today’s case is likely only the first in the graphite electrode industry and represents a continuing expansion of the Division’s investigations into many international markets,” said Gary R. Spratling, the Antitrust Division’s Deputy Assistant Attorney General for Criminal Enforcement. “In future months, we expect more prosecutions in this and other international industries.”

UCAR International Inc., Danbury, Connecticut, and SGL Carbon AG, Wiesbaden, Germany, are the two largest producers of graphite electrodes in the world, according to publicly filed documents. UCAR International and SGL Carbon Corporation, Charlotte, North Carolina, (a subsidiary of SGL Carbon AG) have previously announced that search warrants were executed at their offices on June 5, 1997. The Carbide/Graphite Group, Pittsburgh, Pennsylvania, another producer of graphite electrodes, has previously announced that it has been accepted into the Antitrust Division's Corporate Leniency Program. Under the Leniency Program, a company may qualify for protection from criminal prosecution if it voluntarily reports its involvement in a crime and satisfies certain other criteria.

Today's charge is the result of an investigation being conducted by the Antitrust Division's Philadelphia Field Office and the Federal Bureau of Investigation in Philadelphia.

SDC is charged with violating the Sherman Act, which carries a maximum fine of \$10 million for corporations. The fine may be increased to twice the gain to the conspirators in the crime or twice the loss suffered by the victims of the crime, if either of those amounts is greater than the statutory maximum fine of \$10 million for corporations.

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